60th Anniversary

THE WHEELABRATOR CORPORATION ANNUAL REPORT 1968

FINANCIAL YEAR IN REVIEW

SIXTY YEARS . . .

Wheelabrator came on the industrial scene in July, 1908 with one product, a mechanical sand-cutting machine for foundries. Sixty years later, Wheelabrator has dozens of products which cut across the lines of all industries and while it is principally concerned with metals cleaning, air pollution control and aerospace operations, it still sells—sand cutters.

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	1968	1967
Sales Increased 11%	$81,434,494	$73,497,760
Gross Profit Increased 6%	$20,556,399	$19,407,591
% to Sales	25.2%	26.4%
Net Income Decreased 1%	$ 3,957,314	$ 4,019,136
% to Sales	4.9%	5.5%
% to Stockholders' Equity	10.1%	10.9%
Working Capital at Year End	$27,834,212	$26,616,955
Stockholders' Equity at Year End	$39,412,294	$36,988,931
Common Stockholders' Equity	$25,996,004	$23,490,076
Shares Outstanding at Year End	1,376,516	1,365,415
Book Value Per Share	18.89	17.20
Year End Market Value	36.75	38.25
Dividends Paid Per Share		
1st Preferred	$ 1.50	$ 1.50
2nd Preferred	.25	.25
Common	.70	.70
Earnings Per Common Share, after Preferred Dividend Requirement (Average Common Shares Outstanding)	1,368,718	1,274,499
Before Extraordinary Item	$ 2.40	$ 2.45
Extraordinary Item	—	.17
After Extraordinary Item	2.40	2.62
Earnings Per Common Share, Assuming Conversion of all Preferred Stocks	1.60	1.68
Effect of Surtax on 1968 Earnings	$ (.26)	—
Stockholders	2,733	2,989
Employes	3,577	3,487

MESSAGE TO STOCKHOLDERS

In the year which ended December 31, 1968, The Wheelabrator Corporation maintained the momentum which has been building since the company first became publicly owned.

Sales were increased 11 per cent to $81,434,494 and net income from operations, four per cent to $3,957,314. Net income from operations in 1967 was $3,799,521, to which was added an extraordinary non-recurring item of $219,615 in settlement of a claim.

Cash dividends were paid in the amounts of 70 cents on the common shares, $1.50 on the first preferred shares and 25 cents on the second preferred shares.

Income available to the common shares, after preferred dividend payments and before the extraordinary item, was also up. The surtax represented 26 cents per common share.

The backlog of orders at December 31, was approximately $80,000,000, with $60,000,000 credited to the Twin Industries Division and $19,800,000 to the Wheelabrator Division. This was the largest backlog in the company's history. Related to corporate volume, the Wheelabrator Division, including Balcrank, accounts for 67 per cent of sales and Twin, 33 per cent.

The corporation's principal operations are in these categories—the cleaning and finishing of metals, the cleaning of polluted air, major assemblies for the aerospace industry and manufacture of lubrication equipment and manual controls for machinery.

Business in these areas was generally good. Orders for metals cleaning equipment ran at near-record level in the late months of the year; bookings for air pollution control systems increased sharply; aerospace shipments were up and included work on contracts for the nation's two largest jet transports.

The Air Pollution Control Division responded to its new autonomous status with substantive achievements. Shipments rose 15 per cent but of primary consequence, was the rise in new orders received during the year to $20,250,000, or 100 per cent ahead of 1967.

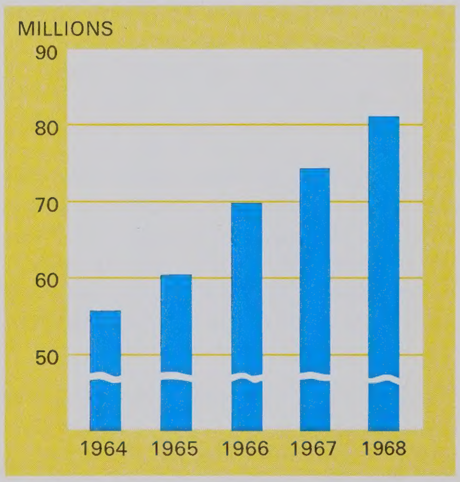
Wheelabrator's increased business was considerably ahead of the industry pattern. Orders received by the nation's air pollution control equipment manufacturers in 1968 are estimated to be approximately 33 per cent more than in 1967, a figure which is up from the annual average rate of growth of 22 per cent in recent years.

The Pollution Control Division also maintained its historic strong position in fabric collection systems while making serious inroads into the electrostatic precipitator market, long dominated by two competitors.

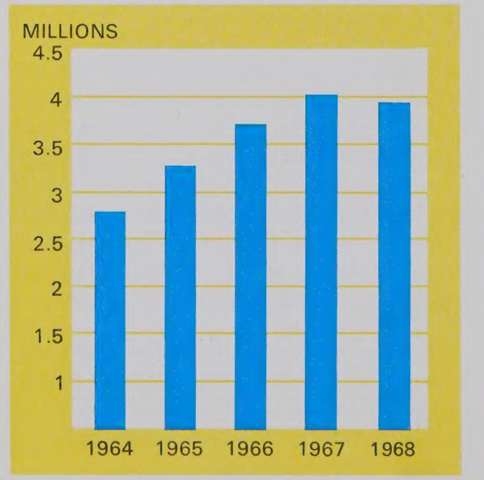
Two of the largest air pollution control equipment orders ever received by the company were for precipitators, both from steel companies and with a combined cost of $2.8 million. Furthermore, of the four municipal incinerators in the United States for which precipitators have been ordered, three are of the Wheelabrator-Lurgi type.

Wheelabrator now offers the most complete line of metal cleaning and finishing equipment in the world and it is our intention to endeavor to maintain this preeminent position.

NET SALES



NET INCOME AFTER TAXES



Metals cleaning equipment, which had moved at a relatively stable rate for about 16 months, ended the year on a strong surge of orders. Bookings in the last four months exceeded the total for the first eight months. This is the result of an aggressive sales program, the introduction of six new products and the further acceptance of these Wheelabrator machines as remarkable cost savings investments.

The importance of the sustaining research and applications engineering program in metals cleaning was borne out by the fact that more than 33 per cent of the new orders in the last four months were accounted for by products not in existence in the same period of the previous year.

The newest of the company's cleaning principles—orboresonance—was not marketed but will be thoroughly tested by the end of 1969. It offers a potential which can open new markets in the next five years. Wheelabrator is honored to have been selected by the Shell Oil Company, which patented this orboresonance principle, to develop applications in the metals cleaning field on a world-wide exclusive basis.

The Balcrank Division increased shipments of lubrication equipment to the car dealer market and the automotive aftermarket and new products influenced larger sales of service station hardware accessories.

Internationally, we believe we are now established in the important markets. The balance of major investments will be completed in 1970 and it is planned to assist in the growth of present associates, rather than securing positions in additional countries.

As another investment in the future, further expansion of our capacity to produce steel abrasives was started in 1968 and will be completed late in 1969. When the total capacity is available, it will increase the 1967 production rate by 62 per cent and augment our position as the world's largest source of high quality steel shot and grit for cleaning metals and deflashing rubber and plastics.

Capital expenditures in 1968 totalled $2,300,000, principally for upgrading of production equipment. The expansion of production areas, launched four years ago, and which, among other things, increased floor space in the Mishawaka facilities by 44 per cent to 544,000 square feet, was for all practical purposes completed during the year. Other than for normal routine modernization or replacement, our plants can accommodate any sales growth for at least another three years.

The corporation owns five facilities in Mishawaka and South Bend, occupied by the Wheelabrator and Balcrank Divisions; the W. W. Criswell Division properties in Riverton, N.J. and Riverside, Calif.; the Wheelabrator Corporation of Canada and Barrday, Ltd., plants in Oakville and Galt, Ont. respectively; and one plant in Buffalo, N.Y. representing approximately half of the floor space used by Twin Industries.

Labor-management contracts were negotiated by the Wheelabrator Division for a three-year period, ending September, 1971. Employment reached 3,577, with each of the two largest operating divisions having slight increases. All employes of the corporation are covered by profit sharing retirement or pension plans.

At the annual meeting in May, stockholders voted the authorization of a new class of stock consisting of 1,000,000 shares of Third Preferred Stock with a par value of $50 per share.

It is the opinion of the Board of Directors that the authority to issue such preferred shares may be of benefit to the corporation in the event of future acquisitions. At this date, no consideration has been given by the Directors to the issuance of these shares nor under what terms and in what manner the shares may be offered.

Late in 1968, it was announced that negotiations for the sale of the Twin Industries Division were being conducted. No definitive agreement has been reached at this time.

It is the consensus of the Board of Directors that the future of the company lies more directly in the growth of the metals cleaning and air pollution control business and that expansion should be focused in these areas. It is also believed that Twin's position may be enhanced in association with an organization more closely concerned with the aerospace industry.

It is contemplated that funds received from the sale of Twin will be applied generally in the reduction of indebtedness and in acquisitions. In this latter respect, we intend to investigate those companies whose operations or products are compatible with the Wheelabrator Division's activities.

With the largest backlog in history to start the year, the near-term outlook is favorable. A recent marketing study, of greater depth than previously undertaken, indicates a broader potential than heretofore calculated in the metals cleaning field. This, plus the sharp upward trend in air pollution control orders, gives the long-term outlook an encouraging appearance.

We believe we have growth product lines; our headquarters and field staffs are industry-oriented and skilled at problem-solving through creative approaches to new products or new total systems concepts.

Again, we take this opportunity to express appreciation for the continued confidence and support of our stockholders, for the energies and loyalties of our divisional management and administrative and production personnel and for the wholehearted cooperation of our international associates.

FOR THE BOARD OF DIRECTORS

W. H. Coleman

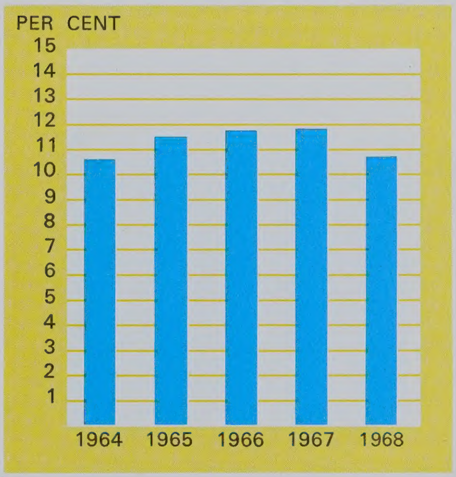
William H. Coleman
Chairman

James F. Connaughton

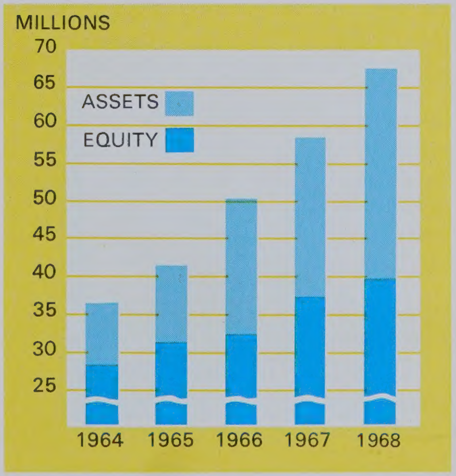
James F. Connaughton
President

March 12, 1969

RETURN ON INVESTMENT



TOTAL ASSETS AND EQUITY



INTERNATIONAL

Air pollution is an international problem and industries in many countries the world over are taking steps to combat contaminants. This Wheelabrator fabric collector was installed by the Japanese associate, Sintokogio, Ltd., on a ferro-chromium alloy electric furnace at Toyama, Denko, K.K. Namerikawa, Toyama. The system has 10 compartments of Dacron tubes and cleans 100,000 cubic feet of dirty air per minute.

The program of placing Wheelabrator products in the hands of competent partners in international markets moved during the year to within sight of its planned objective.

Initiated in 1962, the program now encompasses 14 direct international investments, ranging from 25 per cent to 51 per cent ownership in larger companies and up to 100 per cent in smaller companies. There are also four indirect investments and 12 manufacturing associates and sales representatives, all involved with Wheelabrator products. Twenty-two countries are covered by these varied operations.

One of the most important ventures in 1968 was the formation of Tilghman Wheelabrator Australia (Pty.) Ltd., in Melbourne, Australia, in conjunction with our English partner and the long-time licensee in Australia, McPherson's Limited. Two other joint manufacturing undertakings, in India and Brazil, are currently in negotiation.

In addition to the manufacturing operations, 10 metal cleaning service centers are now functioning—three in Mexico, two in Argentina, one each in Germany, Thailand, India, England and the Philippines. Four additional centers are contemplated—Singapore, Colombia, Brazil and a second in India. These centers are concerned with contract metal cleaning but also serve as sales and demonstration areas.

Wheelabrator's total investment overseas will approximate $5 million, of which, 80 per cent has already been paid or invested. Major portion of the balance represents installment payments due in 1969 and 1970 to conclude purchase of 40 per cent of Tilghman Wheelabrator Ltd., of England.

All but one of Wheelabrator's international licensing agreements have now been renegotiated and renewed. Renewals are for periods of from 5 to 20 years. Negotiations are underway to renew the remaining agreement.

Sales of joint venture companies reached $20 million, up from $650,000 in 1962.

In addition to its sustained growth overseas, Wheelabrator's exports from the United States increased 27 per cent over 1967 to $1.5 million.

Wheelabrator's cash revenues from its international investments are in the form of dividends and royalties.

The product coverage internationally appears to be excellent for the foreseeable future. It is the intention to watch closely the developing countries for possible new opportunities but, in the interim, most efforts will be toward implementing the growth of presently associated companies.

Already initiated is the expansion of the capacity to produce steel abrasives by Wheelabrator-Allevard in France and Sintobrator in Japan. The manufacturing facilities of each of these companies are being equipped to increase capacity—from 18,000 to 24,000 tons in France and, over the next four years, from 12,000 to 24,000 tons in Japan. This will be the second expansion of both facilities.

During 1968, Tilghman Wheelabrator Limited in England moved into larger production and office facilities totalling 350,000 square feet. Indabrator's facility in India is also being expanded to accommodate new product lines adopted by that company.

CLEANING OF METALS

Wheelabrator in 1968 became the only company in the world providing industry with six different methods of cleaning, descaling, deburring, polishing or otherwise improving the surface finishes of metals and metal parts.

These methods are:

- airless blast
- ultrasonics
- vibratory
- air blast
- orboresonance
- wet blast

Newest of the methods, and one of the reasons for Wheelabrator's unique position in the field, is orboresonance, the principle of employing sonic power as a means of generating cleaning energy. The first orboresonant machines will be delivered in 1969 and initial applications will focus on cleaning hydraulic valves and machined castings with intricate inner passages.

Of the cleaning methods widely in use now, airless blast equipment enjoys the biggest and most diversified market. Wheelabrator has 50 standard models of this equipment and has built dozens of machines custom-engineered to specific requirements. Vibratory finishing equipment, sold under the Lorco name, has 12 models and ultrasonic equipment is available in seven designs for cleaning and four for degreasing.

There is virtually no limit to the types of metals or the sizes of parts or products which can be cleaned or finished. And in some fields, such as the nonferrous industry, every casting must be cleaned.

Wheelabrator's products are used by a great many industries and thus are not restricted in growth capacity to any special field. There is an overlapping of markets for the different methods of cleaning and finishing but the basic industries served include:

- automotive
- basic steel
- machinery
- construction equipment
- electrical
- electronics
- aerospace
- fabricated steel
- machine tools
- shipbuilding
- rubber
- plastics
- foundry
- railroads
- farm equipment
- reconditioning
- appliance

Mainsprings for these diverse activities have been Wheelabrator's consistency in developing equipment to meet industry's demands for greater cleaning efficiencies and faster production rates and in penetrating new markets with totally new applications. In recent years, for instance, the deflashing of rubber and plastics and the cleaning of structural steel were pioneered by Wheelabrator.

The trend now is to fully automated handling of parts—conveying to the cleaning or finishing area, loading, cleaning, unloading and moving to the next production step. Standard models as well as special equipment are being adapted to this requirement.

One of the six new developments in 1968 was a giant system for descaling ship subassemblies weighing between 75 and 100 tons. This system is a key element in the adoption of production line techniques by U.S. shipyards and assists in making the nation's shipbuilders more competitive with those of foreign countries.

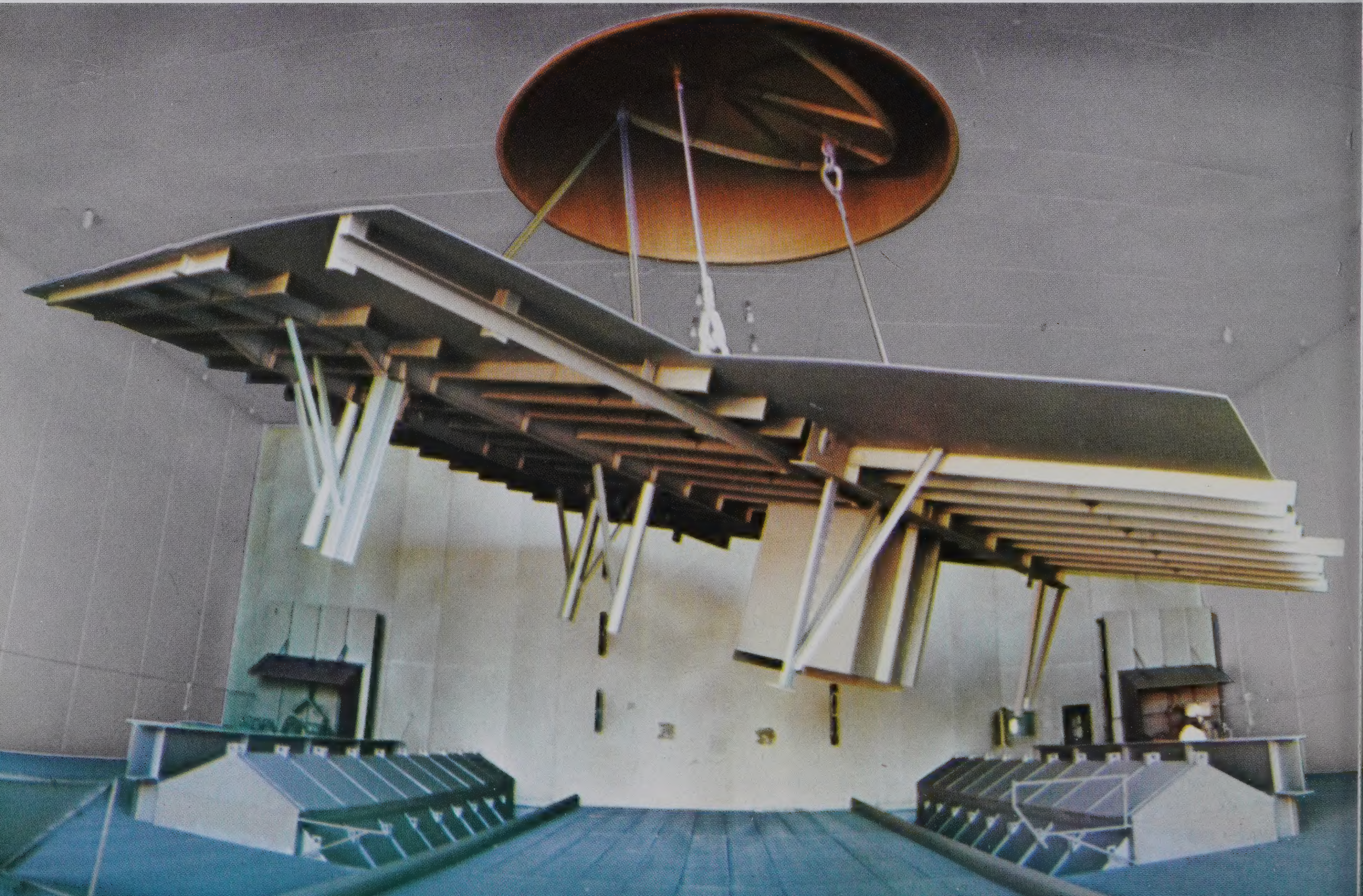
Another innovation is a mechanical Ram Tunnel which increases by three times the rate of cleaning castings at annual savings which virtually equal the cost of the machine. The first three Tunnels were sold in the last quarter.

This colorful Tumblast cleans master brake cylinders at a foundry of a major automotive company. The Wheelabrator device solved a difficult cleaning problem with the intricately shaped cylinders and reduced hand labor 75 per cent. The various colors represent safety codes adopted for all the foundry's machinery.

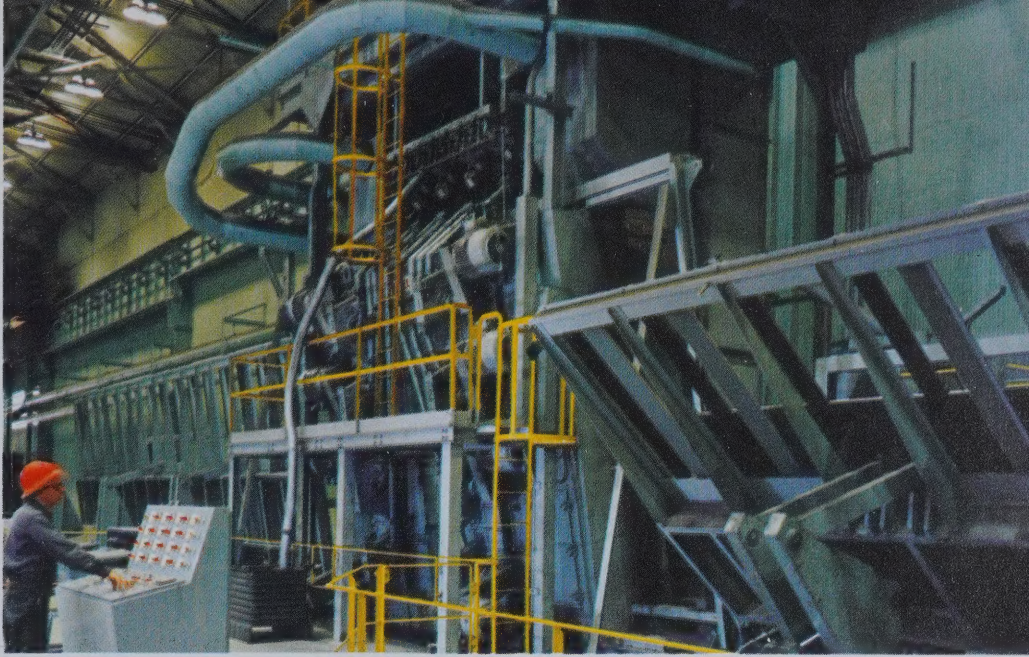
CLEANING OF METALS

Ultrasonics utilizes high pitch sound waves to cause cavitation (cold boiling) in a liquid, resulting in a scrubbing action. This ultrasonics cleaning system, a product of the Delta Sonics, Inc. subsidiary, is operating in the Pasadena, Calif., plant of Burroughs Corporation's Business Machines Group. Parts for disk files, random-access storage devices for electronic data processing systems, are cleaned ultrasonically before entering a super clean room for assembly and sealing.

Wheelabrator wheels clean all types of metals in all sizes and shapes including the 75-ton ship assembly (below). Thirty-two wheels throw more than 15,000 pounds of steel shot per minute at huge weldments like this at the Quincy Division shipyard of General Dynamics. The cleaning cabinet is 80 feet square and 30 feet high and where subassemblies once required 50 hours to clean by hand, the Wheelabrator system, the largest built to date, does it in 25 minutes and less.



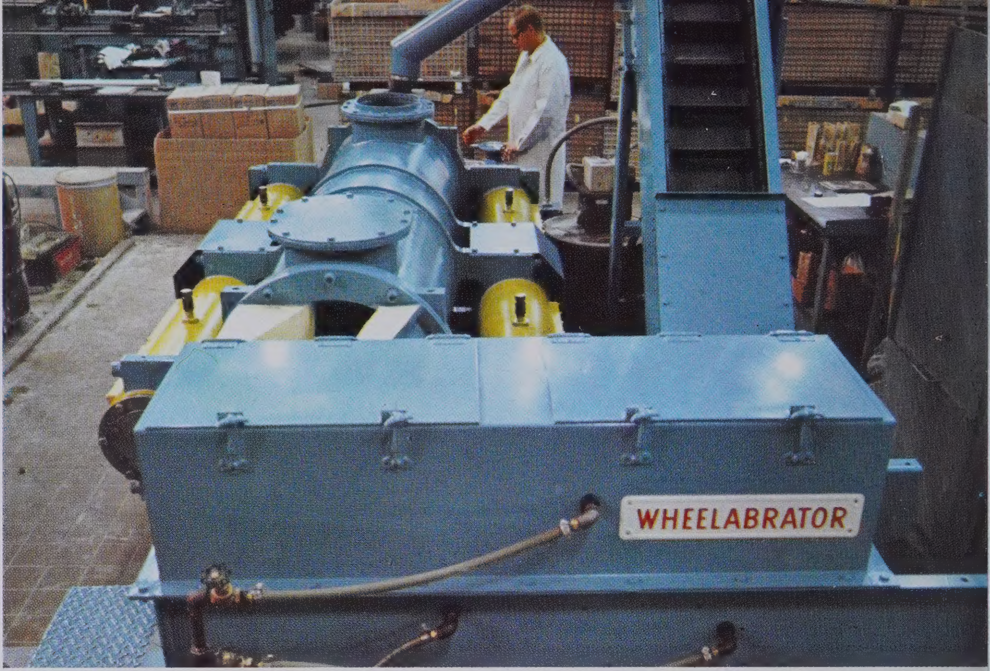
Handling equipment in the foreground of this 123-foot-long machine up-ends steel plate so it enters the airless blast cabinet in a vertical position. Sixteen wheels clean heat treated stainless and alloy plates three to 13 feet wide, 1½ inches thick and up to 25 tons in weight. As the plates leave the cleaning cycle they are returned to a horizontal position with equipment similar to the up-ender. This installation is in the Homestead, Pa. works of United States Steel Corporation.



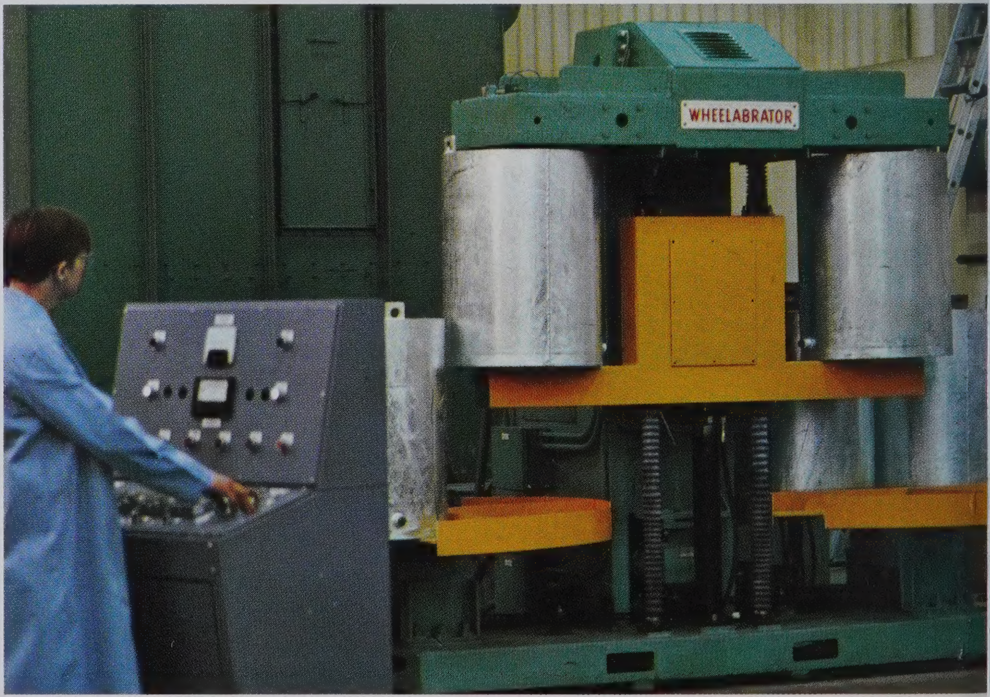
One of 1968's new products in operation at the Dearborn Iron Foundry of the Ford Motor Company. It is a Ram Tunnel which feeds 250-pound cylinder blocks through an eight-wheel airless blast cleaning cabinet at the rate of six per minute. The entire system—loading conveyor, ram and cleaning cycle—is mechanically interlocked to maintain synchronization of all phases. This prototype machine was under test at Wheelabrator's Technical Center when Ford purchased it in September because of its high production potential and to gain experience with this new cleaning concept.

A smaller version of the patented NAD (non-acid descaling) process during installation at the United States Tube & Foundry Co., Brooklyn. This machine eliminates the use of acid in cleaning low carbon steel prior to cold rolling and thus prevents any possible water pollution problem for U.S. Tube. This is the first NAD system to operate domestically.

CLEANING OF METALS

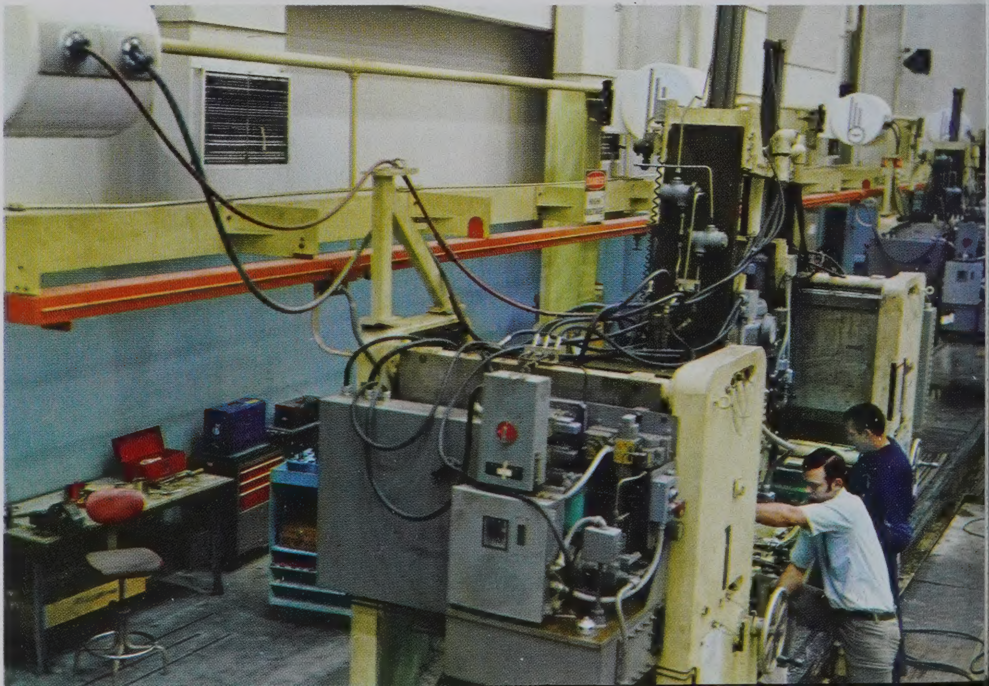


One of the new dual shaft vibrators produced in 1968. Parts can be manually or conveyor fed into the vibratory bowl (between the yellow shafts) and at the end of the finishing cycle the clean parts are conveyed away while the media are recycled by the elevator at right. This is the most rugged vibrator ever built.



The first production model of the orboresonant concept is to be leased to a farm equipment manufacturer and Wheelabrator will share in the operational evaluation. In this model, castings receive sonic vibrations at each end of a variable speed oscillator. The tanks contain cleaning media and rinse liquid and are raised so that parts are immersed first in the cleaning compound and then in the rinse which washes away loose media and dirt and rustproofs the castings.

BALCRANK



A Jet Pulser Pump system, proprietary product of Wheelabrator's Balcrank Division, assists the Boeing Company in drilling titanium, one of the most difficult metals to drill. The Pulser Pump feeds coolants under pressure through the white hose reels at top to four Leland-Gifford drilling heads. Being drilled, at Boeing's Manufacturing Development Center in Seattle, is one of the landing gear beams of the 747, new super commercial jet transport.

AIR POLLUTION CONTROL

The Air Pollution Control Division, in which is consolidated company-wide attention to industry's pollution problems, recorded a series of significant advances in its first full year of autonomous operation.

The dollar volume of business was increased both in shipments and incoming orders and the application of the full line of control systems was broadened to provide greater service to more companies in more industries. Wheelabrator is generally considered one of the three major factors in this field.

Further emphasis was placed on the systems approach to air pollution solution and available to industry is a complete and comprehensive program including: (1) initial laboratory analysis to determine characteristics of pollutants, (2) engineering recommendations for type of equipment best suited for control, (3) design and manufacture of the system, (4) installation of the control system at the plant site.

Of the four basic Wheelabrator control principles, the fabric collector continued to be the leader in numbers and dollars and maintained its long-time share of 33 percent of the North American market.

The acceptance of Wheelabrator-Lurgi electrostatic precipitators, which have been designed and entirely built in this country for more than two years, accelerated during the year. The largest orders were from steel companies but equally important was the entry into five other key markets—cement, nonferrous metals, chemical, power and incineration, where three of the first four precipitators for U.S. municipal incinerators are Wheelabrator's.

The low energy wet scrubber also moved forward, chiefly for the control of specific internal dust sources such as sand-handling systems and metal cleaning operations.

As in metals cleaning, the supply business is an integral part of our air pollution effort, particularly fabric tubes for cloth collectors made by the W. W. Criswell Division and by Barrday, Ltd.

These tubes are for original installations and replacement parts for Wheelabrator systems as well as the equipment of other manufacturers. Combined, Criswell and Barrday represent the largest source of these filters in the world.

While many industries are just beginning to make progress in pollution control, Wheelabrator considers the following to be its major markets for air pollution control systems:

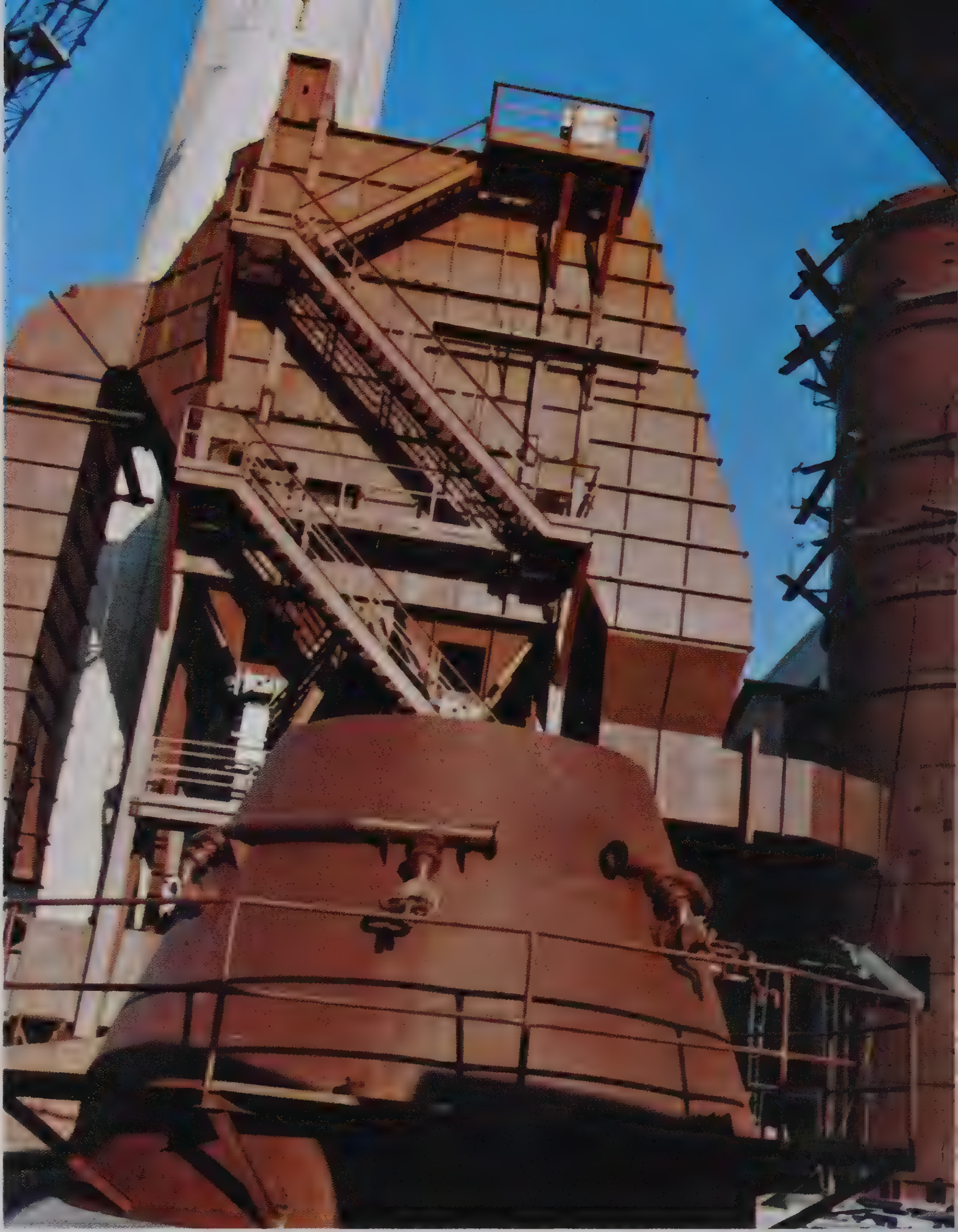
rock products
cement
industrial furnaces
chemical industry
asbestos
fly ash
rubber
agricultural
  chemical
incineration

wood products
carbon black
metal trades
mining
metallurgy
building materials
textiles
plastics
aluminum
paper

The corporation now offers a plan whereby National Equipment Rental, Ltd. will provide leasing services to companies which desire long-term financing on the purchase of air pollution control equipment.

These 40-foot fabric tubes on a test stand are part of the continuing Research and Development investigations into more effective ways of combatting air pollution.

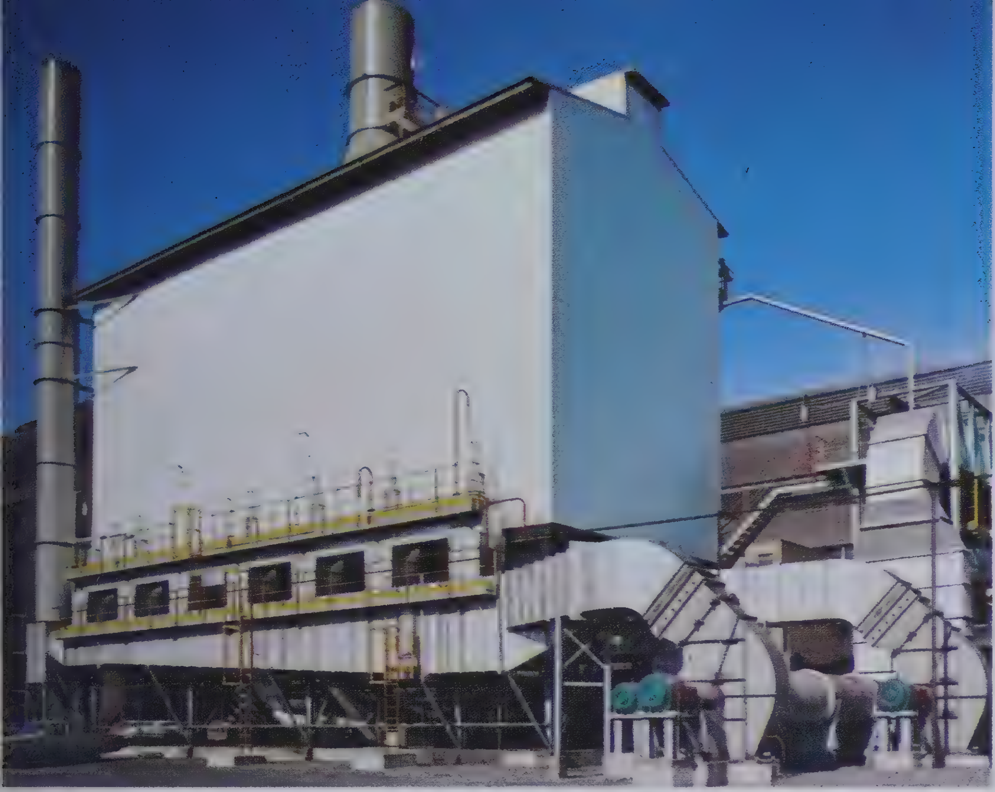
AIR POLLUTION CONTROL



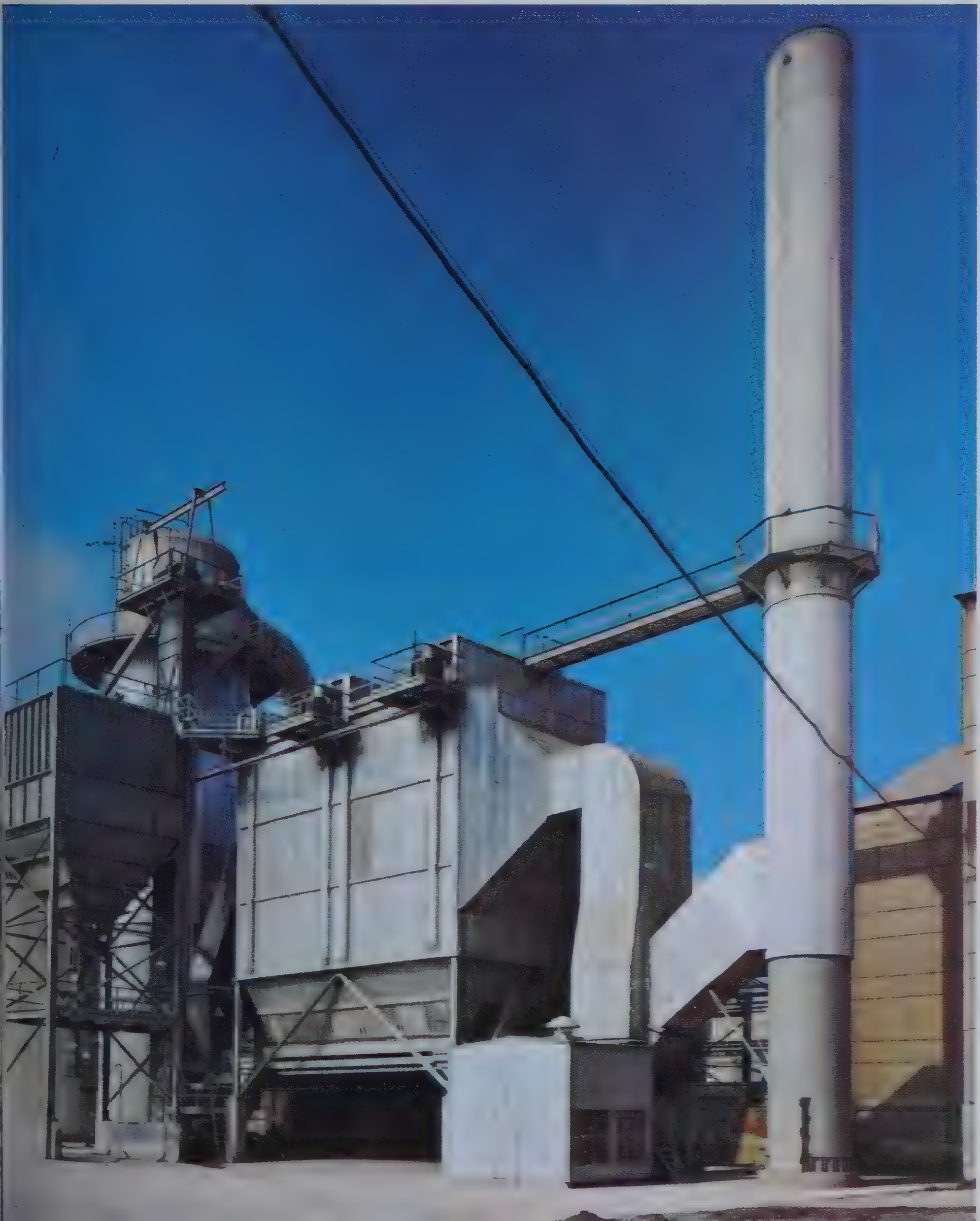
The first Wheelabrator-Lurgi electrostatic precipitator for controlling particulates from solid waste disposal is readied for operation at the Southwest Brooklyn incinerator of the City of New York. The city will evaluate the system to determine its future course in controlling incinerator smoke. The precipitator is at left, a cooling tower at right and in the foreground is the top of the tower, ready for installation. The tower cools the hot gases from the burning process before they reach the dust collecting plates of the precipitator.

A mechanical air pollution control system (left), Wheelabrator's Turbo-Filter, installed internally at a plant of the Carlisle Tire & Rubber Co., Carlisle, Pa. The system, which has no moving parts, collects whatever dust arises from this tire buffing operation.

The Turbex (right), the name under which Wheelabrator markets its low energy wet scrubber, operates at a steel castings company in a Northwestern city. The scrubber controls dust from the foundry's sand handling system. There are eight models of the Turbex.



One of the more sophisticated air pollution control systems installed by Wheelabrator in 1968 is this fabric tube collector at the Ecorse, Detroit, Mich., plant of Great Lakes Steel, a division of National Steel Corporation. The building here is the final stage of the system where 1000 graphite treated fiberglass tubes clean 124,000 cubic feet of dust laden air per minute from two oxygen-lanced electric arc furnaces. Spray cooling towers adjoin each furnace to reduce the temperature of the gases before they reach the ductwork at right.



Officials of the Louisville Cement Company selected a Wheelabrator-Lurgi electrostatic precipitator after inspecting similar installations in Europe. This precipitator went into operation in 1968 on a dry process kiln at Louisville's cement plant in Speed, Ind. The precipitator is in the foreground and the tall structure rising in the background is a 90-foot tower, where a water spray treats the cement dust so that it can be electrically charged and collected in the precipitator.

AEROSPACE

Upper skins of a stabilizer for the Grumman Gulfstream II executive jet are installed on a main assembly fixture at Twin. The skin is held temporarily in place by cleco pins, then riveted for final assembly. Twin later joins the stabilizer to a vertical fin and adds rudder and elevators.

As an important source of fabricated assemblies for the aerospace industry, the Twin Industries Division ended the year with long range contracts involving a well-balanced mix of commercial and military jet transports, an executive jet airplane and two fighter planes.

Since all are members of the newest family of aircraft, cessation of hostilities in Southeast Asia would not be expected to have any serious effect on Twin's operations. Approximately 65 per cent of Twin's work is commercial, the balance military or defense. New contracts and follow-on orders received during the year increased the backlog to $60 million, highest in history.

To work already in progress in 1968 on the world's newest and largest commercial jet transport, the Boeing 747, the company added a major assignment on the nation's newest and largest military jet transport, the Air Force/Lockheed C-5 Galaxy. Both are programmed through the late 1970s.

For the C-5, the initial contract announced in September exceeded $13,000,000 for assembly of wing leading edges over a two-year period. Wing span of the military giant is 223 feet, almost as long as its 246 foot fuselage. Also for the C-5, Twin continued to supply assemblies for the GE turbofan engines.

The 747 work consists of bonded window panel assemblies and frames for the fuselage, under contract with the Norair Division of the Northrop Company, and floor panel sections for the passenger and cargo versions.

Twin also continued producing on Boeing's other jet programs originally undertaken in 1953. This concerns fins, rudders and spoilers for the 707 transport and spoilers for the 727.

By year-end, the 51st empennage was completed for the Grumman Gulfstream II business transport. The empennage, which is the entire tail section, is fabricated in four sections—the horizontal stabilizer, elevators, rudder and vertical fin—then assembled.

Completed in 1968 were the cabin cockpit structure, nose section, flaps and vanes to be installed on a Convair 240 as an in-flight simulator of SST flight characteristics. Contractor was Cornell Aeronautical Laboratory.

The extensive modernization and expansion program of the previous year assisted Twin in assuming new and expanded areas of capability. Included were a titanium processing line, a bonding press, enlarged chemical milling facility and advanced machine tools.

The management group was strengthened so that a manager is assigned to each major program with the responsibility for the planning, directing and monitoring of the program.

Twin Industries completed its second full year of fabricating access doors for guns, communications and navigation equipment for the Northrop F-5 Freedom Fighter. Employe in background is attaching a hinge assembly on a door prior to riveting.

An Air Force/Lockheed C-5 wing leading edge (lower left) mirrors a Twin employe as the skin and doublers are prefitted in a fixture prior to the first stage of honeycomb bonding.

A completed window panel (below) for the fuselage section of the Boeing 747 is prepared for shipment to the Northrop/Norair Division. The blue colored surface is a temporary coating to protect the skin of the panel during shipment.

THE WHEELABRATOR CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 1968 AND 1967

ASSETS	**1968**	**1967**
CURRENT ASSETS:		
Cash	$ 3,866,017	$ 3,035,079
Notes and accounts receivable, less reserves—		
Trade	12,174,991	9,945,462
From sales under contracts	7,658,636	4,061,384
Other	987,096	1,234,416
Inventories, at the lower of cost or market—		
Raw materials and supplies (first in, first out)	2,549,087	2,367,872
Work in process and finished goods (first in, first out)	7,663,885	7,983,748
Contracts in progress	9,089,215	9,341,301
Prepaid expenses	306,136	381,335
Total current assets	$44,295,063	$38,350,597
OTHER ASSETS:		
Noncurrent receivables	$ 2,781,054	$ 569,534
Goodwill, at cost less amortization	664,047	634,883
Other	289,098	339,731
	$ 3,734,199	$ 1,544,148
PROPERTY, PLANT AND EQUIPMENT, at cost:		
Land	$ 450,304	$ 440,362
Buildings and improvements	9,801,750	9,196,651
Machinery and equipment	13,936,623	13,450,096
	$24,188,677	$23,087,109
Less—Reserves for depreciation	9,804,826	9,072,311
	$14,383,851	$14,014,798
Leasehold improvements, net	505,109	258,304
	$14,888,960	$14,273,102
INVESTMENTS IN AFFILIATED COMPANIES, at cost (Note 1)	$ 4,363,202	$ 3,346,071
	$67,281,424	$57,513,918

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

LIABILITIES	**1968**	**1967**
CURRENT LIABILITIES:		
Notes payable	$ 4,651,801	$ 1,758,175
Accounts payable	5,305,772	4,822,528
Accrued wages, benefits, taxes, etc.	4,978,696	4,400,313
Dividends payable	510,657	509,598
Reserve for Federal and Canadian taxes on income	1,013,925	243,028
Total current liabilities	$16,460,851	$11,733,642
LONG-TERM DEBT:		
7% notes, due July 1, 1973	$10,000,000	$ 8,000,000
Other, average interest 6½%, payable through 1976	1,008,279	491,345
	$11,008,279	$ 8,491,345
DEFERRED FEDERAL INCOME TAX (Note 4)	$ 400,000	$ 300,000
STOCKHOLDERS' EQUITY (Notes 2 and 3):		
$1.50 cumulative convertible preferred stock, par value $35 per share, redeemable at $36.50 per share; authorized 85,715 shares; outstanding 1968, 18,134 shares; 1967, 20,493 shares	$ 634,690	$ 717,255
5% convertible second preferred stock, par value $5 per share, 2,556,320 shares authorized and outstanding	12,781,600	12,781,600
Third preferred stock, par value $50 per share, 1,000,000 shares authorized	—	—
Common stock, par value $1 per share; authorized 3,000,000 shares; issued 1968, 1,380,816 shares; 1967, 1,369,715 shares	1,380,816	1,369,715
Additional capital	9,393,734	9,227,244
Retained earnings	15,258,670	12,930,333
	$39,449,510	$37,026,147
Less—4,300 shares of common treasury stock, at cost	(37,216)	(37,216)
	$39,412,294	$36,988,931
	$67,281,424	$57,513,918

THE WHEELABRATOR CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 1968 AND 1967

	1968	1967
NET SALES	$81,434,494	$73,497,760
COST OF GOODS SOLD	60,878,095	54,090,169
Gross profit on sales	$20,556,399	$19,407,591
SELLING EXPENSES	$ 7,740,869	$ 7,546,539
GENERAL AND ADMINISTRATIVE EXPENSES	5,092,828	5,036,484
	$12,833,697	$12,583,023
Operating income	$ 7,722,702	$ 6,824,568
OTHER INCOME OR (EXPENSE)—		
Royalties and other income, net	$ 869,726	$ 497,610
Interest income	202,370	111,489
Interest expense	(899,484)	(474,146)
	$ 172,612	$ 134,953
Income before taxes and extraordinary item	$ 7,895,314	$ 6,959,521
PROVISION FOR FEDERAL AND CANADIAN INCOME TAXES	3,938,000	3,160,000
Income before extraordinary item	$ 3,957,314	$ 3,799,521
EXTRAORDINARY ITEM—Recovery upon renegotiation of government contract (net of related expenses and $200,000 income taxes)	—	219,615
NET INCOME FOR THE YEAR	$ 3,957,314	$ 4,019,136

The provision for depreciation and amortization was $1,486,344 in 1968, and $1,260,844 in 1967.

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

CONSOLIDATED STATEMENTS OF ADDITIONAL CAPITAL AND RETAINED EARNINGS

FOR THE YEARS ENDED DECEMBER 31, 1968 AND 1967

ADDITIONAL CAPITAL	**1968**	**1967**
BALANCE AT BEGINNING OF YEAR	$ 9,227,244	$ 7,230,212
ADD:		
Excess of par value of $1.50 preferred stock (par value $35) over par value of common stock (par value $1) issued upon conversion; 2,359 shares of preferred converted into 6,001 shares of common in 1968 and 7,365 shares of preferred converted into 19,246 shares of common in 1967	76,564	238,529
Excess of option price over par value of common stock issued under stock option plan; 5,100 shares in 1968 and 1,500 shares in 1967 (Note 2)	89,926	15,592
Excess of market value over par value of 73,774 shares of common stock issued for acquisition of plant	—	1,742,911
BALANCE AT END OF YEAR	$ 9,393,734	$ 9,227,244

RETAINED EARNINGS		
BALANCE AT BEGINNING OF YEAR	$12,930,333	$10,503,866
ADD (DEDUCT):		
Net income for the year	3,957,314	4,019,136
Cash dividends declared—		
$1.50 preferred stock, $1.50 per share	(28,804)	(36,938)
5% second preferred stock, $.25 per share	(639,080)	(639,080)
Common stock, $.70 per share	(961,093)	(916,651)
BALANCE AT END OF YEAR (Note 3)	$15,258,670	$12,930,333

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

THE WHEELABRATOR CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 1968

(1) PRINCIPLES OF CONSOLIDATION:

The accounts of all domestic and Canadian subsidiaries of the company are consolidated in the accompanying financial statements. The 1967 financial statements have been reclassified to conform with the report classifications used in the 1968 statements.

Twelve foreign companies are included as investments, at cost, in the accompanying financial statements. Results of operations attributable thereto are not reflected in these statements; however, dividends and royalties received from these investments are included in income.

Company	Country	Stock Ownership	Investment at Cost
Tilghman-Wheelabrator, Ltd.	England	26%	$1,761,075
Ullrich & Roser, G.m.b.H.	Germany	40%	815,801
Graber & Wening AG	Switzerland	40%	569,753
Wheelabrator—Allevard	France	51%	546,656
Sintobrator, Ltd.	Japan	40%	388,402
Other foreign investments			281,515
			$4,363,202

(2) STOCK OPTIONS:

Under the stock option incentive plan adopted in 1964, 100,000 shares of common stock were reserved for options to officers and other key personnel; in 1968, the plan was amended and an additional 15,000 shares were reserved for options. Options for 5,100 shares were exercised during the year at an aggregate price of $95,026. At December 31, 1968, options for 8,290 shares at prices from $5.71 per share to $34.50 per share were outstanding, of which options for 7,790 shares were exercisable. At December 31, 1968, 16,310 shares were available for future grants under the plan.

(3) PREFERRED STOCK:

The Composite Certificate of Incorporation provides one vote for each share of preferred and common stock outstanding, and for restrictions on the amount of dividends on common stock (other than common stock) if specified amounts of unconsolidated retained earnings, or net current assets are not maintained, or preferred stock dividends are in arrears. Under such provisions, $12,758,670 of consolidated retained earnings at December 31, 1968, is not restricted as to dividend payments.

At December 31, 1968, 46,151 shares of common stock were reserved for conversion of the $1.50 preferred stock and 1,065,133 shares of common stock were reserved for conversion of the 5% second preferred stock.

The Composite Certificate of Incorporation provides that in 1969 the company will establish a sinking fund for partial redemption of the 5% convertible second preferred stock. The required 1969 sinking fund provision of $255,630 will redeem 51,126 shares of the 5% convertible second preferred stock unless otherwise directed by the Board of Directors, and the common shares reserved for conversion will be decreased by 21,302 shares. During 1968, the company offered to redeem 51,126 shares of the 5% convertible second preferred stock; however, this offer was declined by the holder of the 5% convertible second preferred stock.

In 1968, the stockholders approved an amendment to the Certificate of Incorporation authorizing 1,000,000 shares of Third Preferred Stock with a par value of $50 per share. The Board of Directors is authorized to establish, among other things, the amount and time of payments of dividends, whether dividends are cumulative or noncumulative, and the convertibility and ratio of conversion to the other classes of stock of the company.

(4) DEPRECIATION:

Depreciation is provided on gross book value of properties by three different methods—straight line, declining balance and sum of the years-digits—based upon the estimated useful lives of the individual units or properties. The range of annual rates is as follows:

Buildings	3-1/2%—10%
Machinery and equipment	5%—20%
Office furniture and equipment	6-2/3%—20%
Automobiles, trucks and equipment	20%—30%

Rates used by certain divisions to compute depreciation result in a higher provision for tax depreciation than book depreciation; deferred tax has been provided on the difference.

(5) CONTINGENCIES:

Certain sales of the company are subject to renegotiation. In the opinion of management, no significant liability should result from renegotiation.

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

FOR THE YEAR ENDED DECEMBER 31, 1968

SOURCE OF FUNDS:	
Net income for the year	$ 3,957,314
Provision for depreciation and amortization	1,486,344
Total provided from operations	$ 5,443,658
Increase in long-term debt	2,516,934
Increase in deferred Federal income tax	100,000
Sales of common stock under option plan	95,026
	$ 8,155,618
APPLICATION OF FUNDS:	
Additions to property, plant and equipment, net	$ 2,036,463
Cash dividends declared	1,628,977
Additional investments in affiliated companies	1,017,131
Other changes, net	44,270
Increase in noncurrent receivables	2,211,520
	$ 6,938,361
INCREASE IN WORKING CAPITAL	$ 1,217,257

The accompanying Notes to Consolidated Financial Statements are an integral part of this statement.

AUDITORS' REPORT

ARTHUR ANDERSEN & CO.
SOUTH BEND, INDIANA

To the Stockholders and
the Board of Directors of
The Wheelabrator Corporation:

We have examined the consolidated balance sheet of THE WHEELABRATOR CORPORATION (a Delaware corporation and a majority owned subsidiary of Bell Intercontinental Corporation) AND SUBSIDIARIES as of December 31, 1968, and the related statements of income, additional capital, retained earnings and source and application of funds for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We have previously examined and reported on the financial statements for the preceding year.

In our opinion, the accompanying financial statements present fairly the financial position of The Wheelabrator Corporation and Subsidiaries as of December 31, 1968, and the results of their operations and the source and application of funds for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

South Bend, Indiana,
February 7, 1969.

ARTHUR ANDERSEN & CO.

Directors

*William H. Coleman, *Chairman of the Board*

*James F. Connaughton, *President and Chief Executive Officer*

Oliver C. Carmichael, Jr., *Chairman of the Board,*
Associates Investment Company, South Bend, Ind.

*Charles W. Enyart, *Chairman of the Board,* C. L. Gougler Machine Co., Kent, O.

John M. Galvin, *Vice Chairman of the Board,*
Marine Midland Trust Company of Western New York, Buffalo, N.Y.

Bernhard K. Greuter, *Vice President,* George Fischer Limited, Schaffhausen, Switzerland

Denis W. G. L. Haviland, C. B., *Chairman of the Board,*
Staveley Industries Ltd., London, England

Walter M. Jeffords, Jr., *President,* Northern Utilities, Inc., Portland, Me.

Carter Kissell, *Partner,* Jones, Day, Cockley & Reavis, Cleveland, O.

*John J. Lee, *Retired Senior Vice President,* Buffalo, N.Y.

Max Muller, *President,* Basic Incorporated, Cleveland, O.

*Albert E. Rising, Jr., *Consulting Metallurgist; Chairman of the Executive Committee*

*Executive Committee

Officers

William H. Coleman, *Chairman of the Board*

James F. Connaughton, *President and Chief Executive Officer*

Jacob A. Schmidt, Jr., *Vice President, Finance and Treasurer*

Kenneth E. Blessing, *Vice President and Vice President-General Manager,*
Wheelabrator Division

William Butler, 3rd, *Vice President, Commercial Relations*

Robert F. Hurt, *Vice President and President of Twin Industries Corporation Division*

Edward W. Chapin, *Secretary*

Stanley R. Twitchell, *Corporate Controller*

Corporate Data

Offices: 400 South Byrkit Avenue, Mishawaka, Ind. 46544

Stock Listing: American Stock Exchange

Stock Exchange Symbol: WHL

Annual Meeting Date: May 15, 1969

Transfer Agent: The Chase Manhattan Bank, N.A., New York, N.Y. 10015

Registrar: Marine Midland Grace Trust Company of New York, New York, N.Y. 10015

WHEELABRATOR OPERATIONS

United States and Canada

WHEELABRATOR DIVISION
Mishawaka, Ind.

AIR POLLUTION CONTROL DIVISION
Mishawaka, Ind.

W. W. CRISWELL CO. DIVISION
Riverton, N.J. and Riverside, Calif.

ABRASIVE FINISHING COMPANY
Gardena, Calif. and Newark, N.J.

DELTA SONICS, INC.
Hawthorne, Calif.

TWIN INDUSTRIES CORPORATION DIVISION
Buffalo, N.Y.

BALCRANK DIVISION
Mishawaka, Ind.

WHEELABRATOR CORPORATION OF CANADA LIMITED
Oakville, Ont., Canada

BARRDAY LIMITED
Galt, Ont., Canada

McDONALD WELDING LIMITED
Oakville, Ont., Canada

EDWARD LIPSETT LTD.
Vancouver, British Columbia, Canada

International

TILGHMAN WHEELABRATOR LIMITED
Broadheath, Altrincham, Cheshire, England

TILGHMAN WHEELABRATOR KENT (PTY.) LTD.
Kempton Park, South Africa

TILGHMAN WHEELABRATOR AUSTRALIA (PTY.) LTD.
Port Melbourne, Australia

WHEELABRATOR TILGHMAN ENTSTAUBUNGS G.m.b.H.
Cologne, Germany

SOCIÉTÉ WHEELABRATOR-ALLEVARD
Allevard (Isere), France

WHEELABRATOR ALLEVARD ESPANOLA
Barcelona, Spain

GRABER & WENING AG
Neftenbach, Switzerland

ULLRICH AND ROSER, G.m.b.H.
Stuttgart-Bad Cannstatt, Germany

DEUTSCHE WHEELABRATOR STRAHLMITTEL, G.m.b.H.
Cologne, Germany

WHEELABRATOR METALLREINIGUNGS GESELLSCHAFT DEUTSCHLAND m.b.H.
Solingen, Germany

SINTOBRATOR, LTD.
Nagoya, Japan

INDABRATOR LIMITED
Bombay, India

WHEELABRATOR de MEXICO, S.A.
Estado del Mexico, Monterrey and Guadalajara, Mexico

WHEELABRATOR ARGENTINA, SAIC
Buenos Aires, Argentina

WHEELABRATOR COLOMBIA, S.A.
Bogota, Colombia

WHEELABRATOR METAL CLEANING COMPANY OF THE PHILIPPINES, INC.
Quezon City, Philippines

WHEELABRATOR YIT THAILAND, LIMITED
Bangkok, Thailand

WHEELABRATOR METAL CLEANING COMPANY (P.T.E.) SINGAPORE LIMITED
Singapore

International Manufacturing Associates

George Fischer Limited, Schaffhausen, Switzerland

Sintokogio, Ltd., Nagoya, Japan

Equipamentos Industriais, "Eisa" Ltd., Sao Paulo, Brazil

Carl Kurt Walther, G.m.b.H. and Co. K.G., Wuppertal-Vohwinkel, Germany

International Sales Agents

Neisser & Company, S.A., Lima, Peru

Mario R. Franceschini, Inc., Santurce, Puerto Rico

Motores, S.A., Bogota, Colombia

William Hunt & Co. (International), Inc., Taipei, Taiwan

Griffin Machinery Corporation, Manila, Philippines

Tecnagent, Santiago, Chile

Epsica, Walco, S.A., Caracas, Venezuela

Domestic Sales Offices

Atlanta, Ga.
Birmingham, Ala.
Buffalo, N.Y.
Charlotte, N.C.
Chicago, Ill.
Cincinnati, Ohio
Cleveland, Ohio
Columbus, Ohio
Dallas, Tex.
Davenport, Iowa
Detroit, Mich.
Houston, Tex.
Jackson, Miss.
Louisville, Ky.
Los Angeles, Calif.
Milwaukee, Wis.
Mishawaka, Ind.
New York, N.Y.
Philadelphia, Pa.
Portland, Ore.
San Francisco, Calif.
Sarasota, Fla.
Springfield, Mass.
St. Louis, Mo.
Syracuse, N.Y.
Union, N.J.

VITAL VALUES

FOR INDUSTRY

LITHO IN U.S.A., MOSSBERG & COMPANY, INC., SOUTH BEND,